



Congressional Oversight Panel

February 11,
2010

Accounting for the Troubled Asset Relief Program

Excerpted from the Congressional Oversight
Panel's December 2009 report, "Commercial Real
Estate Losses and the Risk to Financial Stability."

Financial Update

Each month, the Panel summarizes the resources that the federal government has committed to economic stabilization. The following financial update provides: (1) an updated accounting of the TARP, including a tally of dividend income, repayments and warrant dispositions that the program has received as of February 1, 2010; and (2) an updated accounting of the full federal resource commitment as of December 31, 2009.

1. TARP

a. Costs: Expenditures and Commitments

Treasury has committed or is currently committed to spend \$519.5 billion of TARP funds through an array of programs used to purchase preferred shares in financial institutions, offer loans to small businesses and automotive companies, and leverage Federal Reserve loans for facilities designed to restart secondary securitization markets.

⁵⁸⁷ Of this total, \$298.3 billion is currently outstanding under the \$698.7 billion limit for TARP expenditures set by EESA, leaving \$403.3 billion available for fulfillment of anticipated funding levels of existing programs and for funding new programs and initiatives. The \$298.3 billion includes purchases of preferred and common shares, warrants and/or debt obligations under the CPP, AIGIP/SSFI Program, PPIP, and AIFP; and a \$20 billion loan to TALF LLC, the SPV used to guarantee Federal Reserve TALF loans.⁵⁸⁸ Additionally, Treasury has allocated \$36.9 billion to the Home Affordable Modification Program, out of a projected total program level of \$50 billion.

b. Income: Dividends, Interest Payments, and CPP Repayments

As of February 1, 2009, a total of 59 institutions have completely repurchased their CPP preferred shares. Of these institutions, 37 have repurchased their warrants for common shares that Treasury received in conjunction with its preferred stock investments (including six institutions for whom warrants were exercised at the time of the initial Treasury investment); Treasury sold the warrants for common shares for three other institutions at auction.⁵⁸⁹ For further discussion of Treasury's disposition of these warrants, see Section Two of this report. In

⁵⁸⁷ EESA, as amended by the Helping Families Save Their Homes Act of 2009, limits Treasury to \$698.7 billion in purchasing authority outstanding at any one time as calculated by the sum of the purchase prices of all troubled assets held by Treasury. Pub. L. No. 110-343, § 115(a)-(b); Helping Families Save Their Homes Act of 2009, Pub. L. No. 111-22, § 402(f) (reducing by \$1.26 billion the authority for the TARP originally set under EESA at \$700 billion).

⁵⁸⁸ Treasury Transactions Report, *supra* note 450.

⁵⁸⁹ Treasury Transactions Report, *supra* note 450.

January, Treasury received partial repayments from two institutions, totaling \$57.2 million.⁵⁹⁰ In addition, Treasury receives dividend payments on the preferred shares that it holds, usually five percent per annum for the first five years and nine percent per annum thereafter.⁵⁹¹ In total, Treasury has received approximately \$189.5 billion in income from repayments, warrant repurchases, dividends, payments for terminated guarantees, and interest payments deriving from TARP investments,⁵⁹² and another \$1.2 billion in participation fees from its Guarantee Program for Money Market Funds.⁵⁹³

⁵⁹⁰ Treasury Transactions Report, *supra* note 450.

⁵⁹¹ See, e.g., U.S. Department of the Treasury, *Securities Purchase Agreement: Standard Terms* (online at www.financialstability.gov/docs/CPP/spa.pdf) (accessed Jan. 4, 2010).

⁵⁹² See U.S. Department of the Treasury, *Cumulative Dividends and Interest Report as of December 31, 2009* (Jan. 20, 2010) (online at www.financialstability.gov/docs/dividends-interest-reports/December%202009%20Dividends%20and%20Interest%20Report.pdf) (hereinafter “Treasury Dividends and Interest Report”); Treasury Transactions Report, *supra* note 450.

⁵⁹³ U.S. Department of the Treasury, *Treasury Announces Expiration of Guarantee Program for Money Market Funds* (Sept. 18, 2009) (online at www.treasury.gov/press/releases/tg293.htm).

c. TARP Accounting

Figure 55: TARP Accounting (as of February 1, 2010)⁵⁹⁴

TARP Initiative	Anticipated Funding (billions of dollars)	Actual Funding (billions of dollars)	Total Repayments/ Reduced Exposure (billions of dollars)	Funding Outstanding (billions of dollars)	Funding Available (billions of dollars)
Capital Purchase Program (CPP) ⁵⁹⁵	\$204.9	\$204.9	\$122	\$82.9	\$0
Targeted Investment Program (TIP) ⁵⁹⁶	40.0	40.0	40	0	0
AIG Investment Program (AIGIP)/Systemically Significant Failing Institutions Program (SSFI)	69.8	⁵⁹⁷ 46.9	0	46.9	22.9
Automobile Industry Financing Program (AIFP)	81.3	81.3	3.2	78.1	0
Asset Guarantee Program (AGP) ⁵⁹⁸	5.0	5.0	⁵⁹⁹ 5.0	0	0
Capital Assistance Program (CAP) ⁶⁰⁰					

⁵⁹⁴ Treasury Transactions Report, *supra* note 450.

⁵⁹⁵ As of December 31, 2009, the CPP was closed. U.S. Department of the Treasury, *FAQ on Capital Purchase Program Deadline* (online at www.financialstability.gov/docs/FAQ%20on%20Capital%20Purchase%20Program%20Deadline.pdf).

⁵⁹⁶ Both Bank of America and Citigroup repaid the \$20 billion in assistance each institution received under the TIP on December 9 and December 23, 2009, respectively. Therefore the Panel accounts for these funds as repaid and uncommitted. U.S. Department of the Treasury, *Treasury Receives \$45 Billion in Repayments from Wells Fargo and Citigroup* (Dec. 22, 2009) (online at www.treas.gov/press/releases/20091229716198713.htm) (hereinafter “Treasury Receives \$45 Billion from Wells Fargo and Citigroup”).

⁵⁹⁷ In information provided by Treasury in response to a Panel request, AIG has completely utilized the \$40 billion made available on November 25, 2008 and drawn-down \$5.3 billion of the \$29.8 billion made available on April 17, 2009. This figure also reflects \$1.6 billion in accumulated but unpaid dividends owed by AIG to Treasury due to the restructuring of Treasury’s investment from cumulative preferred shares to non-cumulative shares. Treasury Transactions Report, *supra* note 450.

⁵⁹⁸ Treasury, the Federal Reserve, and the Federal Deposit Insurance Company terminated the asset guarantee with Citigroup on December 23, 2009. The agreement was terminated with no losses to Treasury’s \$5 billion second-loss portion of the guarantee. Citigroup did not repay any funds directly, but instead terminated Treasury’s outstanding exposure on its \$5 billion second-loss position. As a result, the \$5 billion is now accounted for as available. Treasury Receives \$45 Billion from Wells Fargo and Citigroup, *supra* note 596.

⁵⁹⁹ Although this \$5 billion is no longer exposed as part of the AGP and is accounted for as available, Treasury did not receive a repayment in the same sense as with other investments.

⁶⁰⁰ On November 9, 2009, Treasury announced the closing of this program and that only one institution, GMAC, was in need of further capital from Treasury. GMAC received an additional \$3.8 billion in capital through the AIFP on December 30, 2009. U.S. Department of the Treasury, *Treasury Announcement Regarding the Capital*

Term Asset-Backed Securities Lending Facility (TALF)	20.0	20.0	0	20.0	0
Public-Private Investment Partnership (PPIP) ⁶⁰¹	30.0	30.0	0	30.0	0
Supplier Support Program (SSP)	⁶⁰² 3.5	3.5	0	3.5	0
Unlocking SBA Lending	15.0	0	N/A	0	15.0
Home Affordable Modification Program (HAMP)	50.0	⁶⁰³ 36.9	0	35.5	14.5
Community Development Financial Institutions Initiative ⁶⁰⁴					
Total Committed	519.5	468.5	–	298.3	51
Total Uncommitted	179.2	N/A	170.2	N/A	605349.4
Total	\$698.7	\$468.5	\$170.2	\$298.3	\$400.4

Assistance Program (Nov. 9, 2009) (online at www.financialstability.gov/latest/tg_11092009.html); Treasury Transactions Report, *supra* note 450.

⁶⁰¹ On January 29, 2010, Treasury released its first quarterly report on the Legacy Securities Public-Private Investment Program. As of that date, the total value of assets held by the PPIP managers was \$3.4 billion. Of this total, 87 percent as non-agency Residential Mortgage-Backed Securities and the remaining 13 percent was Commercial Mortgage-Backed Securities. U.S. Department of the Treasury, *Legacy Securities Public-Private Investment Program* (Jan. 29, 2010) (online at www.financialstability.gov/docs/External%20Report%20-%202012-09%20FINAL.pdf).

⁶⁰² On July 8, 2009, Treasury lowered the total commitment amount for the program from \$5 billion to \$3.5 billion. This action reduced GM's portion from \$3.5 billion to \$2.5 billion and Chrysler's portion from \$1.5 billion to \$1 billion. On November 11, 2009, there was a partial repayment of \$140 million made by GM Supplier Receivables LLC, the special purpose vehicle created to administer this program for GM suppliers. This was a partial repayment of funds that were drawn-down and did not lessen Treasury's \$3.5 billion in total exposure to the ASSP. Treasury Transactions Report, *supra* note 450.

⁶⁰³ This figure reflects the total of all the caps set on payments to each mortgage servicer and not the disbursed amount of funds for successful modifications. In response to a Panel inquiry, Treasury disclosed that, as of as of Jan 10, 2010, \$32 million in funds had been disbursed under the HAMP. Treasury Transactions Report, *supra* note 450.

⁶⁰⁴ On February 3, 2010, the Administration announced a new initiative under TARP to provide low-cost financing for Community Development Financial Institutions (CDFIs). Under this program, CDFIs are eligible for capital investments at a 2 percent dividend rate as compared to the 5 percent dividend rate under the CPP. Currently, the total amount of funds Treasury plans on investing has not been announced.

⁶⁰⁵ This figure is the sum of the uncommitted funds remaining under the \$698.7 billion cap (\$179.2 billion) and the repayments (\$170.2 billion).

Figure 56: TARP Repayments and Income

TARP Initiative	Repayments/ Reduced Exposure (as of 2/1/10) (billions of dollars)	Dividends⁶⁰⁶ (as of 12/31/09) (billions of dollars)	Interest⁶⁰⁷ (as of 12/31/09) (billions of dollars)	Warrant Repurchases (as of 2/1/10) (billions of dollars)	Other Proceeds (as of 2/1/10) (billions of dollars)	Total (billions of dollars)
Total	\$170.1	\$12.5	\$0.38	\$4.03	\$2.51	\$189.5
CPP	121.9	8.3	0.02	4.03	–	134.3
TIP	40	3	N/A	0	–	43
AIFP	3.2	0.94	0.34	N/A	–	4.48
ASSP	N/A	N/A	0.01	N/A	–	0.01
AGP	⁶⁰⁸ 5	0.28	N/A	0	⁶⁰⁹ 2.23	7.5
PPIP	N/A	N/A	.002	N/A	-	0.002
Bank of America Guarantee	–	–	–	–	⁶¹⁰ 0.28	.28

⁶⁰⁶ Treasury Dividends and Interest Report, *supra* note 592.

⁶⁰⁷ Treasury Dividends and Interest Report, *supra* note 592.

⁶⁰⁸ Although Treasury, the Federal Reserve, the FDIC, and Citigroup have terminated the AGP, and although Treasury's \$5 billion second-loss position no longer counts against the \$698.7 TARP ceiling, Treasury did not receive any repayment income.

⁶⁰⁹ As a fee for taking a second-loss position up to \$5 billion on a \$301 billion pool of ring-fenced Citigroup assets as part of the AGP, Treasury received \$4.03 billion in Citigroup preferred stock and warrants; Treasury exchanged these preferred stocks and warrants for trust preferred securities in June 2009. Following the early termination of the guarantee, Treasury cancelled \$1.8 billion of the trust preferred securities, leaving Treasury with a \$2.23 billion investment in Citigroup trust preferred securities in exchange for the guarantee. Treasury Transactions Report, *supra* note 450.

⁶¹⁰ Although Treasury, the Federal Reserve, and the FDIC negotiated with Bank of America regarding a similar guarantee, the parties never reached an agreement. In September 2009, Bank of America agreed to pay each of the prospective guarantors a fee as though the guarantee had been in place during the negotiations. This agreement resulted in payments of \$276 million to Treasury, \$57 million to the Federal Reserve, and \$92 million to the FDIC. U.S. Department of the Treasury, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, and Bank of America Corporation, *Termination Agreement*, at 1-2 (Sept. 21, 2009) (online at www.financialstability.gov/docs/AGP/BofA%20-%20Termination%20Agreement%20-%20executed.pdf).